MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

PMA0064 – ESSENTIALS OF MANAGEMENT ACCOUNTING

(Foundation in Management)

30 MAY 2019
9.00AM – 11.00AM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE** pages (excluding cover page) with **FOUR** questions.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

Flamingo Instruments manufactures two products: range instruments and pressure gauges. During April, 50 range instruments and 300 pressure gauges were produced, and overhead costs of RM81,000 were estimated. An analysis of estimated overhead costs reveals the following activities.

Activity Cost Pools	Cost Drivers	Total Overhead Costs
Materials handling	Number of requisitions	RM30,000
Machine setups	Number of setups	27,000
Quality inspections	Number of inspections	24,000

The cost driver volume for each product was as follows.

Cost Drivers	Instruments	Gauges	Total
Number of requisitions	400	600	1,000
Number of setups	150	300	450
Number of inspections	200	400	600

Required

a) Determine the overhead rate for each activity. (9 marks)
b) Assign the manufacturing overhead costs to the two products using activity-based costing. (16 marks)

(Total 25 marks)

Question 2

Raymond Company produced 10,000 units during the past year, but only 9,000 of the units were sold for RM30 each. The following additional information is also available.

Direct materials used	RM70,000
Direct labor incurred	RM30,000
Variable manufacturing overhead	RM24,000
Fixed manufacturing overhead	RM40,000
Fixed selling and administrative expenses	RM70,000
Variable selling and administrative expenses	RM10,000

There was no work-in-process inventory at the beginning of the year. Raymond did not have any beginning finished goods inventory.

Continued...

Required

a) Compute the product cost per unit by using variable and absorption costing method. (9 marks)
b) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using absorption costing. (8 marks)
c) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using variable costing. (8 marks)

(Total 25 marks)

Question 3

Part A

Gloria makes three models of phasers. Information on the three products are given below.

	Stunner	Double-Set	Mega-Power
Sales	RM320,000	RM480,000	RM200,000
Variable expenses	(160,000)	(200,000)	(140,000)
Contribution margin	160,000	280,000	60,000
Fixed expenses	(120,000)	(225,000)	(100,000)
Net income	RM40,000	RM55,000	(RM40,000)

Fixed expenses consist of RM300,000 of common costs allocated to the three products based on relative sales, and additional fixed expenses of RM30,000 (Stunner), RM75,000 (Double-Set), and RM40,000 (Mega-Power). The common costs will be incurred regardless of how many models are produced. The other fixed expenses would be eliminated if a model is phased out.

Ronnie, an executive with the company, feels the Mega-Power line should be discontinued to increase the company's net income.

Required

Prepare the incremental analysis to decide whether to continue or eliminate Mega-Power line.

(10 marks)

Part B

Rainbow Company estimates that variable costs will be 65% of sales and fixed costs will total RM840,000. The selling price of the product is RM4.

Required

Using the mathematical approach, compute the following:
i) Breakeven sales in units (5 marks)
ii) Breakeven in sales value (3 marks)

Continued...

iii) Margin of safety in sales value, assuming actual sales are RM3,000,000 (3 marks)
iv) Margin of safety in ratio (4 marks)

(Total 25 marks)

Question 4

Sunny Company produces and sells automobile batteries, the heavy-duty HD-240. The 2019 sales budget is as follows.

Quarter	Sales units
1	5,000
2	7,000
3	8,000
4	10,000

1 January 2019 inventory of HD-240 is 1,500 units. Management desires an ending inventory each quarter equal to 30% of the next quarter's sales. Sales in the first quarter of 2020 are expected to be 20% higher than sales in the first quarter in 2019.

Required

Prepare the production budget for the year 2019.

(Total 25 marks)

End of page